

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of Southern California Gas Company (U 904 G) Regarding Year Eleven (2004-2005) of Its Gas Cost Incentive Mechanism.

Application 05-06-030  
(Filed June 15, 2005)

**ADMINISTRATIVE LAW JUDGE'S RULING  
NOTICING A PREHEARING CONFERENCE IN THE  
GAS COST INCENTIVE MECHANISM FOR YEAR 11**

Southern California Gas Company (SoCalGas) filed its Year 11 Gas Cost Incentive Mechanism (GCIM) application on June 15, 2005. SoCalGas requests a GCIM shareholder reward of \$2.5 million pursuant to the revised GCIM structure adopted in Decision (D.) 02-06-023.

Protests to the application were filed by the Office of Ratepayer Advocates (ORA) and Southern California Edison Company (SCE).

At the time ORA's protest was filed, one issue was identified. That issue is whether SoCalGas should be awarded the Year 11 shareholder award of \$2.5 million. ORA's protest states that it will review SoCalGas' Year 11 GCIM activities and prepare its annual monitoring and evaluation report for distribution on October 15, 2005.<sup>1</sup> ORA notes that the report is likely to address issues beyond the one noted in its protest.

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<sup>1</sup> On October 13, 2005, ORA sent an e-mail informing the service list that due to other proceedings, the report would be distributed by November 30, 2005.

SCE's protest states that it has been an active participant in SoCalGas' prior GCIM proceedings. In those proceedings, SCE "has asserted that the GCIM mechanism creates perverse incentives, harms noncore customers, and has a detrimental impact on California energy markets." (SCE Protest, p. 2.) SCE also states that it has been active in the Commission's investigation (I.02-11-040) into the cause of the natural gas border price spikes from March 2000 through May 2001, and that the first phase of that investigation is focusing on the Sempra energy companies and the issues raised in SoCalGas' GCIM proceeding.<sup>2</sup> SCE asserts that I.02-11-040 has a direct bearing on the Year 11 GCIM application because the Commission has stated in the investigation that it may eliminate or modify the GCIM structure.

SCE's protest also refers to how the Commission has addressed the Year Seven, Year Eight, Year Nine, and Year Ten GCIM proceedings in A.01-06-027, A.02-06-035, A.03-06-021, and A.04-06-025, respectively. In the four decisions addressing those applications, the Commission awarded the shareholder reward amounts that SoCalGas had requested, subject to possible refund or adjustment depending on the outcome in I.02-11-040. SCE's protest requests that SoCalGas' Year 11 application be treated in a similar manner.

ORA served its Monitoring and Evaluation Report for Year 11 (Year 11 Report) on November 30, 2005. The Year 11 report confirmed the cost savings for Year 11, and that the GCIM resulted in a ratepayer benefit of \$28.9 million and a shareholder reward of \$2.5 million. The Year 11 report recommends that SoCalGas be authorized to recover its shareholder reward of \$2.5 million. In addition, the Year 11 Report recommends that two modifications be made to the

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<sup>2</sup> A proposed decision in I.02-11-040 was issued on November 16, 2004, but was not adopted by the Commission at its December 16, 2004 meeting.

GCIM. The first modification is that SoCalGas should be required to inject gas into storage on a uniform ratable basis during the injection months. The second modification is that SoCalGas should be required to meet a minimum of 70 Bcf of inventory in storage for its core customers by November 1 of each year.

Based on the protests and the Year 11 Report, it appears that this proceeding can be handled in a manner similar to the previous GCIM proceedings. The only difference at this point in time is that a hearing may be needed on ORA's proposal regarding how SoCalGas should fill its gas storage, and the level of storage as of November 1 of each year. For that reason, a prehearing conference in this proceeding shall be held on January 10, 2006 at 10:00 a.m. in San Francisco to discuss the scope of issues in this proceeding, whether hearings are needed, and the procedural schedule that should be followed. A new service list for this proceeding shall also be created at the prehearing conference.

Therefore, **IT IS RULED** that:

1. A prehearing conference shall be held on Tuesday, January 10, 2006, at 10:00 a.m., at the Commission's Hearing Room, State Office Building, 505 Van Ness Avenue, San Francisco, California, to discuss the scope of issues in this proceeding, whether hearings are needed, and the procedural schedule that should be followed.

2. This ruling shall be served on the service list in Application 04-06-025, and the names that appear in Attachment A of this ruling.

Dated December 6, 2005, at San Francisco, California.

/s/ JOHN S. WONG

John S. Wong  
Administrative Law Judge

**Attachment A**

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**(END OF ATTACHMENT A)**

## **CERTIFICATE OF SERVICE**

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Noticing a Prehearing Conference in the Gas Cost Incentive Mechanism for Year 11 on all parties of record in this proceeding or their attorneys of record.

Dated December 6, 2005, at San Francisco, California.

/s/ ELVIRA NIZ

Elvira Niz

## **N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.